

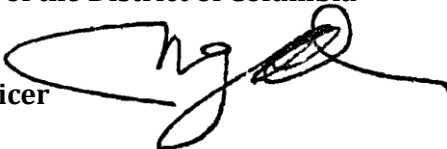
Government of the District of Columbia  
Office of the Chief Financial Officer



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** November 4, 2013

**SUBJECT:** Fiscal Impact Statement – “Transportation Infrastructure Improvements GARVEE Bond Financing Emergency Amendment Act of 2013”

**REFERENCE:** Draft Bill shared with the Office of Revenue Analysis on October 28, 2013

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**Conclusion**

Funds are sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

**Background**

The Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009<sup>1</sup> (“GARVEE Act”) authorized the District to issue grant anticipation revenue vehicles (GARVEE) to finance qualified transportation projects. GARVEE bonds are securitized by Federal Highway Administration transportation appropriations which support transportation projects throughout the District.

At that time the GARVEE Act passed, the only qualified transportation project was the replacement of the twin 11<sup>th</sup> Street Bridges over the Anacostia River. The bill adds to the list of projects eligible for GARVEE bond financing the replacement and realignment of the Frederick Douglass Memorial Bridge (“Bridge”) and the building of new interchanges at the Bridge and Suitland Parkway, the Bridge and Potomac Avenue, Suitland Parkway and Interstate 295, and Suitland Parkway and Martin Luther King, Jr. Avenue.

The bill also increases the aggregate principal amount of GARVEE bonds authorized by the District from \$200 million to \$430 million.

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<sup>1</sup> Effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code § 9-107.51 *et seq.*).

The Honorable Phil Mendelson

FIS: "Transportation Infrastructure Improvements GARVEE Bond Financing Emergency Amendment Act of 2013," Draft bill shared with the Office of Revenue Analysis on October 28, 2013

## **Financial Plan Impact**

Funds are sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The bill does not authorize the issuance of GARVEE bonds for these projects, but allows the projects to be eligible for GARVEE bond funding in the future should the District elect to use that financing method.

Because GARVEE bonds would be issued against future federal appropriations, when issued, they would not constitute a general obligation for the District, and therefore not be counted toward the District's 12 percent debt service cap.<sup>2</sup> This was the case in the first issuance of GARVEE bonds in 2010, which funded the 11th Street Bridge.<sup>3</sup>

Increasing the principal amount of potential GARVEE bond issuances will not have a direct cost, but, when issued, the debt service payments will require a greater share of the District's federal appropriations than is currently dedicated to debt service on bonds.

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<sup>2</sup> See the Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008 for the definition of District debt. It is important to note that two out of the three major bond rating agencies do include GARVEE bonds in their calculation of debt.

<sup>3</sup> To ensure this outcome for the next GARVEE bond issuance, the bond documents must clearly state the structure and the revenue sources of the GARVEE bonds, and that they do not obligate the District to pledge any of its own source revenues to repay, fully or partially, any debt incurred through the GARVEE bonds.